



Money



What is money?

- **Any object that is accepted for payments of debts by society**
- **4 basic categories**
 - **Commodity money: gets its value from the commodity it is made from (gold, silver, etc)**
 - **Representative money: derives its value from the commodity it represents (gold certificate)**
 - **Fiat money: value derived from government mandate**
 - **“Checkbook money”: unprinted, electronic representations of money (checkable/demand deposits)**

Functions of Money

- Medium of exchange
 - Must be accepted by people/institutions
 - Portable, divisible, mostly uniform
- Standard of value
 - Must be useful for quoting prices
 - Familiar, divisible
- Store of Value
 - Must maintain AT LEAST face value
 - Durable, stable

Categories of Money

- M0
 - ONLY cash and coins
- M1
 - Currency, checkable deposits, traveler's checks
 - Most narrow definition of money
 - Checkable deposits make up 75%
- M2
 - Everything in M1
 - Small-Scale Time Deposits (<\$100,000)
 - Savings Accounts
 - Individual Money Market Mutual Funds (MMMF)
- M3
 - Everything in M2
 - Large scale time deposits, institutional assets and funds, foreign deposits